

February 4, 1982

ALL STORES
INTERNATIONAL HEADQUARTERS EXECUTIVES
REGIONAL OFFICE EXECUTIVES
ALL DISTRICT MANAGERS

K mart WILL NOT BE UNDERSOLD

Our overly aggressive attempt to undersell all competitors on all items has met with mixed results. Interpretation of the policy has varied. In many areas our competitive posture has been substantially enhanced. In others we have suffered a need-less loss of gross profit. We now know that in today's market, it is not realistic to believe we can undersell all competition on every item each day of the year.

OUR POLICY OF NOT BEING UNDERSOLD REMAINS UNCHANGED. LIST BOOK PRICES ON RECOGNIZABLE ITEMS ARE NOW MORE REALISTIC AND IN MUCH OF THE COUNTRY WILL ESTABLISH OUR PRICE LEADERSHIP. BE JUST AS SENSITIVE IN RAISING PRICES UP TO YOUR COMPETITOR'S PRICE AS YOU ARE IN LOWERING THEM, BUT DO NOT EXCEED LIST BOOK PRICE. ON MOST ITEMS YOU ARE TO MEET YOUR LOWEST PRICED COMPETITION. YOU MUST BE HIGHLY COMPETITIVE AND MEET OR BEAT YOUR COMPETITION ON NATIONAL BRAND IMAGE ITEMS AND IDENTIFIABLE FAST TURNOVER, BIG DEMAND ITEMS. YOU CAN BE COMPETITIVE WITHOUT GOING BELOW COMPETITION ON ALL MERCHANDISE. IF YOU HAVE CUT YOUR LIST BOOK PRICE AND YOUR COMPETITION CUTS YOUR PRICE, YOU ARE THEN TO MATCH THEIR PRICE.

What have we said?

1. We will not be undersold.
2. Meet your lowest competitor. Do not undercut them the second or third time -- just meet them.
3. Raise prices when competition permits.

You must still review competitors' ads and be aware of their program and what they are doing. We recommend flagging easily recognizable advertised items. Should a customer present a competitor's ad, you should naturally match their price.

We will continue our very aggressive ad program to bring customers into our stores.

This policy is designed to be more easily followed and to save work hours and still remain competitive. This is a general overall policy which may not apply fully to your particular situation -- you, your district manager or the regional office may see a need to go stronger, which you should do if you are faced with a strong competitor.

We are in business to produce a profit -- to do so we must have an acceptable gross. Nothing can replace good judgment and common sense in the interpretation of this letter.

We must continue to be the most competitive retailer in America on a day-in and day-out basis. We are the "Savings Place".

S. G. LEFTWICH

Colored Paper